

THE DIRECTOR OF
CENTRAL INTELLIGENCE

National Intelligence Council

22 November 1982

Honorable W. Allen Wallis
Under Secretary for Economic Affairs
Department of State

You may be interested in this informal
comment on Soviet-Finnish economic issues. 25X1

Maurice C. Ernst
NIO for Economics

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**Dr. Norman A. Bailey
Director, Planning & Evaluation
National Security Council**

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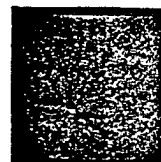


**Maurice C. Ernst
NIO for Economics**

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18 November 1982

MEMORANDUM FOR: Maurice C. Ernst
NIO/Economics

FROM : [REDACTED]
Western Europe Division
Office of European Analysis

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SUBJECT : Potential Impact of a Soviet Limitation of
Finnish Exports to the USSR

[REDACTED] reported earlier this month that Yuri Andropov (prior to Brezhnev's death) threatened Finnish Prime Minister Sorsa with an unspecified limitation on Finnish exports to the USSR unless steps were taken to reduce Finland's growing bilateral trade surplus. Andropov made two suggestions: that the Finns purchase a 1000 MW nuclear reactor, and that they extend a gas pipeline from the USSR so that it can serve the population centers of Helsinki and Tampere. [REDACTED]

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We see this as largely a political move intended to test the commitment of Finnish President Koivisto to the foreign policy line of his predecessor Kekkonen. The Soviet threat undoubtedly has a large element of bluff, but it is not one that the Finns can ignore. Approximately 9 percent of Finnish GNP is exported to the USSR; about 50 percent of shipbuilding is dedicated to the Soviet market. The metals industry as a whole depends on the Soviet market for a quarter of its exports. Trade is conducted under a series of five-year protocols with a clearing account arrangement obviating the need for a hard currency flow in either direction. Although the Soviets are unlikely to take any extreme measure, efforts to frustrate Finnish sales would send strong ripples through the industrial sector at a time when the economy is weak. [REDACTED]

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The Finns may have to cave in to Soviet pressure to some degree to avoid disturbing political and economic relations over the longer term. Substitutes for Finnish goods can be found elsewhere (albeit for hard currency), and Helsinki wants to avoid giving the Soviets any pretexts for demanding the closer military cooperation hinted at by a Soviet general recently. Given the magnitude of Finnish-Soviet economic cooperation, it is difficult to imagine the United States offering any lasting alternatives. The Finns would undoubtedly welcome some US orders for Finnish ships -- icebreakers by the Coast Guard, for example -- to ease their situation, but only if done discreetly. Any grandiose "coming to the aid of Finland" schemes without a major reassessment by the US of the political, economic, and military repercussions probably would be counterproductive. [REDACTED]

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Finland's Exports to the USSR
(January-August 1982)

	Percent of total exports to USSR	Exports to USSR As Percent of Total Exports	Value (\$ million)
Foodstuffs	5.8	52.3	133
Chemicals	7.2	35.0	166
Basic Manufactures	32.2	22.3	741
Machinery	34.0	39.6	783
Transport	13.7	49.2	315
Ships	12.8	62.1	295
Miscellaneous	15.9	38.8	366
Clothing	7.5	39.9	173
Shoes	4.6	84.7	106
 Total of above	 95.1	 31.4	 2,189
Other goods	4.9	6.5	113
Grand total	100%	26.4%	\$2,302

* Office does not receive any current statistical breakdowns at a more detailed level.

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